

CITY OF TROY
SINGLE AUDIT REPORTS
Year Ended December 31, 2004

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Year Ended December 31, 2004
C O N T E N T S

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CITY OF TROY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2004

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures
Department of Housing and Urban Development/ Community Development Block Grants - Entitlement Grant	14.218	B-00MC-36-0109 and prior years	\$ 2,115,702
Emergency Shelter Grants Program	14.231	S-00MC-36-0007 and prior years	84,049
Supportive Housing Program	14.235	NY06B91-2006 and prior years	20,531
Shelter Plus Program	14.238	NY06C97-1201	126,547
HOME Investment Partnerships Program	14.239	B-00MC-36-0109 and prior years	385,628
Community Development Block Grants - Section 108 Loan Guarantee Program	14.248	B-87-MC-36-1019 and prior years	<u>209,572</u>
			<u>2,942,029</u>
Department of Justice/ Bulletproof Vests, JTFF OT Reimbursement	16.607	N/A	13,893
Local Law Enforcement Block Grants Program	16.592	03-LB-BX-0590	31,054
Public Safety Partnership and Community Policing Grants	16.710	Various grants	271,128
New York State Department of Criminal Justice Services/ Juvenile Accountability Incentive Block Grants	16.523	JB-00520805	7,742
Combat Grant (Gang and Violent Crime Suppression)	16.579	NC-2804933	64,586
Rensselaer County/ Weed and Seed Program, Gang Violence, Safe Haven, and Drugs	16.595	N/A	<u>143,067</u>
			<u>531,470</u>
Department of Transportation/ New York State Department of Transportation/ Highway Planning and Construction - Various Projects	20.205	NYS-PIN-various	567,952
New York State Governor's Traffic Safety/ State and Community Highway Safety - Selective Traffic Enforcement	20.600	PT#4202123	15,146
Alcohol Traffic Safety and Drunk Driving Incentive Grants	20.601	Various	21,033
Occupant Protection - Child Passenger Safety Program	20.602	CS-4202113	5,648
Safety Incentive Grants for Use of Seatbelts - Buckle Up New York	20.604	PT#420284 and 420285	<u>18,506</u>
			<u>628,285</u>
Environmental Protection Agency/ Vulnerability Assessment	66.476	HS-8300401	30,290
Brownfield Pilots Cooperative Agreements	66.811	BP982367-01-0	<u>92,253</u>
			<u>122,543</u>
Homeland Security (FEMA)/ New York State Emergency Management Office/ Assistance to Fire Fighters Grant	97.044	EMW-2003-FG-13240	53,078
Rensselaer County/ State and Local Homeland Security Exercise Support	97.006	N/A	<u>42,321</u>
			<u>95,399</u>
			<u>\$ 4,319,726</u>

See accompanying Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, Report of Independent Certified Public Accountants on Schedule of Expenditures of Federal Awards, and Notes to Schedule of Expenditures of Federal Awards.

CITY OF TROY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *General*

The accompanying Schedule of Expenditures of Federal Awards presents all federal awards programs of the City of Troy (City) for the year ended December 31, 2004. The City is defined in Note A to the basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule of Expenditures of Federal Awards.

2. *Basis of Accounting*

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting used by the City in reporting these programs to the federal government.

3. *Relationship to General-Purpose Financial Statements*

Federal awards revenues are reported in the City's basic financial statements as federal aid. The City's basic fund financial statements are presented using the modified accrual basis of accounting.

NOTE B - NON-CASH ASSISTANCE

The City had no federal awards expended in the form of non-cash assistance during the year ended December 31, 2004.

NOTE C - LOANS AND LOAN GUARANTEES

The amount reported as federal expenditures under the Department of Housing and Urban Development Section 108 Loan Guarantee Program represents the balance of the loan guaranteed as of December 31, 2004.

NOTE D - INSURANCE

The City did not participate in any federal insurance programs during the year ended December 31, 2004.

NOTE E - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Emergency Shelter Grants Program	14.231	\$ 84,049
Supportive Housing Program	14.235	17,796
Shelter Plus Program	14.238	126,547
HOME Investment Partnerships Program	14.239	184,128

CITY OF TROY

SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2004

03-1. Capital Projects

Condition: Several deficiencies were noted in the Capital Projects records:

- Project appropriations in excess of project financing;
- Project not closed promptly after completion, and
- Reimbursable expenditures not recovered timely.

Corrective Action Plan: The City has taken action to establish and monitor Capital Project budgets, close out completed projects, and process reimbursement on a more timely basis.

03-2. Request for Reimbursement from Government Agencies

Condition: Requests for reimbursement for some Capital Projects and Special Revenue projects have not been completed and filed in a timely manner (normally ninety days after quarter-end) and have not been approved or authorized by the Finance Department before, or, in some instances, after submission to governmental agencies.

Corrective Action Plan: The Finance Department and various other departments have improved the process to expedite the claiming of intergovernmental reimbursements. However, 2004 reimbursement claims for the Traffic Signal Project (see Finding 04-1) were not filed until April 18, 2005.

03-3. Departmental Bank Accounts

Condition: Several bank accounts in the name of the City of Troy are not recorded on the City's books. These accounts are maintained by several City departments outside of the Comptroller's Office. It is the responsibility of these departments to deposit and disburse funds and to reconcile the statements on a monthly basis. There is inconsistency in the reconciliation process.

Corrective Action Plan: Departmental bank accounts have been included in the City's agency funds.

03-4. Budget Transfers

Condition: It is the responsibility, per the City Charter, of the City Auditor to verify that sufficient funds are available within the operating budget to support each planned expenditure. It is also the responsibility of each department and the Finance Office to ensure that there are sufficient funds in the budget code for each disbursement. Not all actual expenditures were timely tracked, causing, in some cases, over expended budget line items because a comparison with the modified budget and actual expenditures did not take place on a timely basis.

Corrective Action Plan: City Council and management have improved the budget review and modification process to ensure that sufficient appropriations are available to support expenditures. In fiscal year 2004, total General Fund expenditures were within the modified budget appropriations.

CITY OF TROY

SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2004

03-5. Federal Financial Reports

Condition: The Grantee Performance Report (GPR) is to be filed with HUD by the City Department of Planning and Community Development no later than 90 days after the end of its grant year. The grant year-end was June 30, 2003. Therefore, the GPR was due by September 30, 2003. The GPR was not filed until December 31, 2003.

Corrective Action Plan: The Department of Planning and Community Development has improved the process to prepare and submit the GPR. The GPR for the grant year ended June 30, 2004, was submitted on September 28, 2004. The GPR for the grant year ended June 30, 2005, was submitted on September 29, 2005.

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Mayor and Members of the City Council
City of Troy

We have audited the basic financial statements of the City of Troy, New York as of and for the year ended December 31, 2004, and have issued our report thereon dated September 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Troy, New York's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Troy, New York's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Troy, New York's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-1 through 04-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Mayor, Members of the City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Bollam Sheedy Torani & Co LLP

Albany, New York
September 12, 2005

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Mayor and Members of the City Council
City of Troy

Compliance

We have audited the compliance of the City of Troy, New York with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The City of Troy, New York's major federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Troy, New York's management. Our responsibility is to express an opinion on the City of Troy, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Troy, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Troy, New York's compliance with those requirements.

In our opinion, the City of Troy, New York complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the City of Troy, New York is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Troy, New York's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Troy, New York's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-1 through 04-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City of Troy, New York as of and for the year ended December 31, 2004, and have issued our report thereon dated September 12, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, Members of the City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Bollam Sheedy Torani & Co. LLP

Albany, New York
September 12, 2005

CITY OF TROY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2004**

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Reportable conditions identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Reportable conditions identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

14.218	Community Development Block Grants - Entitlement Grant
20.205	Highway Planning and Construction
14.239	HOME Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

CITY OF TROY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended December 31, 2004

Section II - Financial Statement Findings and Section III - Federal Awards Findings and Questioned Costs

A. Reportable Conditions in Internal Control

04-1. Request for Reimbursement

Condition: The Traffic Signal project, which is administered through the New York State Department of Transportation (NYSDOT), began in 2002 and continued through 2004. Certain claims for reimbursement of 2004 expenditures were not submitted by the City until April 18, 2005.

Criteria: Generally, claims for reimbursement of expenditures should be submitted to NYSDOT as soon as possible, but not later than 90 days after the expenditures have been incurred and the related payments made.

Effect: Late submission of claims to NYSDOT results in reimbursements not being received by the City in a timely manner. Lack of timely receipt of the moneys causes cash flow issues for the City and may jeopardize its ability to make other required payments.

Cause: One claim lacked sufficient back-up documentation, and reimbursement was held up by NYSDOT until the documentation was received. The largest claim for reimbursement of 2004 expenditures was not prepared by the Planning Department until April 18, 2005.

Recommendation: The Planning Department and Finance Department should develop procedures to ensure that sufficient documentation is received promptly and accurately in order for claims for reimbursement of expenditures to be prepared and submitted as soon as possible.

04-2. Support for HOME Program Expenditures

Condition: Certain payments to subrecipients for HOME program rehabilitation purposes were not supported by sufficient documentation that identified the materials used in the rehabilitation and/or the amount of indirect costs charged to applicable projects. Certain contractual payments for the Community Housing Development Organization project were not supported by original signed vendor contracts.

Criteria: All payments should be supported by sufficient documentation to demonstrate that the payments are for the intended purposes and within the program guidelines.

Effect: Without sufficient documentation and signed vendor contracts, payments could be made for unauthorized or ineligible purposes.

Cause: The City did not request or obtain sufficient documentation to support various payments or copies of original signed contracts for various HOME program purposes.

Recommendation: The City needs to develop a process to ensure that sufficient documentation, and signed vendor contracts where applicable, are received before payments are processed. We noted that the City suspended the program in August 2005 pending an internal review.

CITY OF TROY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended December 31, 2004

Section II - Financial Statement Findings and Section III - Federal Awards Findings and Questioned Costs - Continued

A. Reportable Conditions in Internal Control - Continued

04-3. Department Oversight and the Audit and Approval Process

Condition: Certain payments for HOME program purposes were approved by the Planning and Community Development Department and audited and approved by the City Auditor even though they lacked sufficient documentation to support the payments.

Criteria: In general, authorized personnel from the department responsible for specific programs are required to approved claims for payment from those specific programs before they are submitted to the City Auditor. The City Auditor is required to audit and approve all claims for payment. The departmental approval and the resultant audit and approval should be based on valid and relevant information that provides sufficient documentation to support the requested payments.

Effect: Without an effective departmental approval and audit process, payments could be made for unauthorized or ineligible purposes.

Cause: The Department of Planning and Community Development approved certain claims for payment without requesting sufficient documentation to support the claims. The City Auditor approved the claims for payment without sufficient documentation to support the claims.

Recommendations: City management needs to review their internal control structure for processing and approving claims for payment, and develop a process to ensure that sufficient documentation is obtained prior to departmental approval. Claims that lack sufficient documentation should not be approved for payment.